

Message Text

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ACTION EUR-12

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AMCONSUL FLORENCE
AMCONSUL MILAN
AMCONSUL PALERMO
AMCONSUL TRIESTE
AMCONSUL TURIN
AMCONSUL NAPLES

C O N F I D E N T I A L GENOA 0504

MILAN HOLD FOR TURIN

E.O. 11652:GDS
TAGS: EWWT, EINV,IT,IT, US
SUBJECT: SEALAND TO MOVE CONTAINER OPERATIONS FROM GENOA
TO LIVORNO

SUMMARY: SEALAND, THE LARGEST US FLAG
CARRIER SERVING ITALY, INFORMED CONGEN ON SEPTEMBER 28 THAT
IT PLANS TO ANNOUNCE ON OCTOBER 7 THE RELOCATION AND CONSOLIDATION
OF ALL ITS ITALIAN CONTAINER OPERATIONS AT LIVORNO TO BE EFFECTIVE
JANUARY 1, 1978. THE COMPANY WILL CONTINUE TO MAINTAIN ITS
REGIONAL OFFICE FOR THE MEDITERRANEAN IN GENOA. SEALAND , WHICH
INTRODUCED CONTAINER SERVICE FROM THE US TO THE MEDITERRANEAN
THROUGH GENOA IN 1970, WILL ANNOUNCE ITS DECISION AT A
PRESS CONFERENCE. COMPANY OFFICIALS INSISTED THAT DECISION
IS FIRM AND IRREVOCABLE. THEY EXPRESSED CONCERN THAT PORT
WORKERS MAY REACT NEGATIVELY TO SEALAND'S DECISION TO MOVE
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FROM GENOA, ENGAGE IN DEMONSTRATIONS, STRIKES , AND, OR EVEN DAMAGE
COMPANY-OWNED FACILITIES WITHIN PORT AREA. END SUMMARY.

1. AT THEIR OWN INITIATIVE SEALAND OFFICIALS, ON SEPTEMBER
28, INVITED CONGEN TO LUNCH TO "-APPRIZE" HIM OF THEIR
"IRREVOCABLE" DECISION TO LEAVE GENOA AND CONSOLIDATE ALL
ITALIAN CONTAINER OPERATIONS AT LIVORNO. OFFICIALS REPEATEDLY

INSISTED THAT PUBLIC ANNOUNCEMENT IS NOT, REPEAT NOT, A LAST DITCH TACTIC TO EXTRACT CONCESSIONS FROM THE GENOA PORT AUTHORITY (CAP). AS THE OFFICIALS TELL IT, IN 1969, CAP GRANTED SEALAND PREFERRED DOCKING AND HANDLING SPACE IN RETURN FOR THE COMPANY'S ASSISTANCE IN FINANCING THE CONSTRUCTION OF THE PORT'S CONTAINER HANDLING FACILITIES. IN THE EARLY 1970S, SEALAND VOLUNTARILY RELINQUISHED PART OF ITS "EXCLUSIVE" OPERATING AREA TO CAP FOR USE BY THE OTHER CARRIERS, WITH THE UNDERSTANDING THAT CAP WOULD AGREE TO RETURN THE SPACE TO THE US COMPANY ON REQUEST. WITH THE INCREASE IN SEALAND'S TRAFFIC IN THE MIDDLE EAST BEGINNING IN 1975, COMPANY APPROACHED CAP FOR THE RETURN OF ITS OLD ALLOCATED SPACE. CAP REFUSED TO RETURN ANY PART OF THAT SPACE AND REJECTED SEVERAL SEALAND OFFERS, INCLUDING A PLEDGE TO INCREASE CONTAINER MOVEMENTS IN THE PORT BY 50 PERCENT. AS A RESULT OF CAP'S OBSTINANCY, SEALAND SUCCESSFULLY NEGOTIATED AN EXCELLENT AGREEMENT WITH LIVORNO PORT OFFICIALS WHICH GRANTS SEALAND SATISFACTORY ALTERNATIVE FACILITIES FOR ITS CONSOLIDATED CONTAINER OPERATION IN THE MEDITERRANEAN.

2. SEALAND'S PREFERENTIAL AND EXCLUSIVE POSITION FOR ITS CONTAINER OPERATIONS IN THE CRAMPED GENOA PORT AREA HAD LONG BEEN A SENSITIVE ISSUE WITH THE OTHER CONTAINER CARRIERS. ALL THE OTHER LINES HAD TO SHARE THE COMMON USERS FACILITIES. WHEN SEALAND WAS GRANTED ITS OLD RIGHTS, CONTAINER TRAFFIC THROUGH GENOA WAS LESS THAN 34,000. NOW, WITH NUMEROUS OTHER CARRIERS OFFERING CONTAINER SERVICES, GENOA HAS BECOME CONFIDENTIAL

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THE TOP CONTAINER PORT IN THE MEDITERRANEAN HANDLING 184,000 BOXES IN 1976. CAP APPARENTLY COULD NOT RESIST THE PRESSURES FROM BOTH THE OTHER CARRIERS AND THEIR POLITICAL BACKERS AND DENIED SEALAND A RETURN OF THE OLD SPACE AS PER TERMS OF THE EARLIER CONTRACT.

3. SEALAND'S MOVE TO LIVORNO WILL LEAVE ONLY ONE US FLAG CARRIER, AMERICAN EXPORT LINES, OFFERING REGULAR CONTAINER SERVICE TO GENOA. AMERICAN PRESIDENT LINES, LYKES LINES, (AND EVEN, AMERICAN EXPORT LINES) HAVE MOVED THE GREATER PART OF THEIR TRAFFIC OPERATIONS TO LIVORNO WHERE COSTS ARE LOWER AND PRODUCTIVITY IS HIGHER. PRUDENTIAL LINES CLOSED ITS GENOA OFFICE IN APRIL AND HAD WITHDRAWN COMPLETELY FROM THE NORTHERN ITALIAN TRADE.

4. IN ADVANCE OF THE SCHEDULED PUBLIC ANNOUNCEMENT, SEALAND OFFICIALS PLAN TO MEET WITH LEADING REPRESENTATIVES OF GENOA'S BUSINESS AND SHIPPING COMMUNITIES TO EXPLAIN THE REASONS FOR THE MOVE TO LIVORNO. WE HAVE BEEN TOLD THAT THE FEW SEALAND EMPLOYEES INVOLVED IN CONTAINER OPERATIONS WILL BE OFFERED A TRANSFER TO LIVORNO. WE UNDERSTAND THAT COMPANY MAY APPROACH PCI SENATOR LIBERTINI, CHAIRMAN OF THE CHAMBER'S TRANSPORT

COMMITTEE TO ENLIST HIS PERSONAL INTERVENTION WITH THE PORT WORKERS TO PREVENT STRIKES OR DAMAGE TO SEALAND'S CONSIDERABLE AND EXPENSIVE EQUIPMENT IN THE PORT. FYI: LIBERTINI REPORTEDLY IMPRESSED HIS AUDIENCE WITH HIS PARTY'S WILLINGNESS TO BE HELPFUL TO AMERICAN FIRMS IN LABOR DISPUTES DURING HIS MEETING WITH US BUSINESSMEN IN NEW YORK LAST JUNE. END FYI.

COMMENT: LOCAL NEWSPAPERS HAVE BEEN CARRYING RUMORS OF SEALAND'S IMMINENT DEPARTURE FOR SEVERAL WEEKS. COMPANY SPOKESMEN HAVE BEEN CAREFUL NOT TO REVEAL THEIR INTENTIONS AND HAVE ONLY CONFIRMED THAT SEALAND WAS STUDYING WAYS OF MAKING ITS OPERATIONS MORE EFFICIENT. ONE OPTION MENTIONED WAS THE CONSOLIDATION OF ALL SEALAND OPERATIONS AT A SINGLE PORT IN ITALY. CAP PRESIDENT GIUSEPPE DAGNINON A SOCIALIST, HAS NOT BEEN SO CONFIDENTIAL

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CAUTIOUS. IN EARLY SEPTEMBER, DAGNINO DENIED THAT SEALAND HAD THREATENED TO LEAVE GENOA AND SUGGESTED THAT SOME ARRANGEMENT COULD BE WORKED OUT. SEALAND HAS PRIVATELY COMMENTED THAT DAGNINO HAS BEEN AWARE OF THE COMPANY'S INTENTIONS TO LEAVE FOR SOME TIME. A MAJOR REASON BEHIND SEALAND'S DECISION TO RELOCATE ARE THE HIGH COSTS AND LOW PRODUCTIVITY OF MOVING CARGO THROUGH THE PORT OF GENOA. SEALAND OFFICIALS TOLD CONGEN THAT NEITHER THEY NOR THEIR MILAN OFFICE HAD ANY PLANS TO INFORM CONGEN MILAN OR EMBASSY ROME OF THEIR DECISION IMPENDING ANNOUNCEMENT.DISCIULLO

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